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U. S. DEPT. OF AGRICULTURE

THE AGRICULTURAL SITUATION REVIEW

Release Immediate

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Speaking Time: 10 Minutes.

ANNOUNCEMENT: At the crucial time of the crop year, early July, everybody has special interest in accurate information on the agricultural situation. So we're pleased to present once again the monthly report on crop and livestock conditions and on the farm business situation prepared for us by the United States Department of Agriculture.

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The Department report sums up the situation in five words -- "CROPS GROWING WELL; PRICES VERY LOW." Let's read the summary report. It follows:

"So far, Nature has done her part and the growing crops present a generally excellent picture now at midseason. There have been regional variations in weather, as always happens -- too much rain lately in the eastern cotton belt and in the southern wheat belt, too dry in the Northeastern States, etc. On the whole, however, this is a favorable growing season.

"Corn has made a splendid start. It is in promising condition throughout the principal corn States. Oats show rather short straw in the East but are better elsewhere. The fruit indications are for a short crop of peaches and for fewer apples than last year in the East but the apple prospect is favorable in the Northwest.

"Haying is beginning to get under way. The grass crop is not large in the East. Old meadows are thin and new seeding short, a result of dry weather. Over the Mississippi Valley and the West, however, the hay crop is reasonably good and in the Northwest better than last year.

"Wheat harvest now holds the center of the stage, cutting of winter wheat having advanced slowly up into the North. From Kansas southward June rains rather seriously interrupted the harvest, made it difficult to use combines in many places, and for a time delayed the usual movement of grain to market. Winter wheat is considered to be only about a 400,000,000 bushel crop, as compared with 787,000,000 bushels produced last season. The carryover of old wheat in this country, however, is of record proportions, being now estimated at around 360,000,000 bushels, compared with 319,000,000 bushels carryover a year ago.

"Spring wheat has made a rapid growth, is fairly well headed, and at this stage seems to promise a good crop. There is some grasshopper menace in the northern Red River Valley and various reports of rust. Much can happen to affect spring wheat between now and threshing time, but at this date it appears that the

Northwest will turn out at least an average crop, which would be more than twice what it produced last year.

"The movement of new farm products forward into trade is still rather sluggish so far as the grains and vegetables are concerned but is moderately heavy in livestock products. Market receipts of hogs and of butter during the month of May slightly exceeded that month last year. The export movement of pork continues very light, of wheat and tobacco rather light, but of cotton moderately large.

"Unfortunately, the nation-wide picture of good crops has its darker side in the continued low level of prices. Many of the important farm products have declined even further during the past month. The average price index of farm products was thought to be disastrously low in June two years ago when it stood at 123 (pre-war being considered as 100). A year ago it had dropped to 80. Now it is about 52."

These low prices in the past year brought down the farm income for 1931 to a figure just about the average of the five years before the world war, 1910-14. The Department of Agriculture sends us in the July report on the agricultural situation estimates just made of the agricultural income for the years of 1909 to 1923 with comparisons of the estimates already published for the years 1924 to 1931. These comparisons show some significant shifts in the sources of the farmers' income and in the purposes for which farmers spent their income.

To give more precise figures, the gross income to American farmers from their products in 1931 was about 6 billion 900 million dollars. This was only two per cent higher than the average gross farm income of the United States for the years 1909 to 1914. But there was a lot of shifts in 1931 income from crops, and livestock as compared with the average pre-war income from crops and livestock. In 1931 our farmers got about one-fifth less from crops than they did in the prewar years; while they got about one-fourth more from livestock.

The estimates on expenditures for goods and services farmers used in production and on account of capital and taxes are not yet complete for 1931. But once again the figures that economists say are arrived at show that when all prices are following the expenses that become most burdensome are the expenses that remain relatively fixed, such as interest and taxes. Before the war farmers spent less than one-tenth of their gross income for mortgage, interest and taxes. In 1931 they spent just a little less than one-fifth of their gross income for mortgage, interest and taxes.

We have new light on another matter connected with prices of farm products and expenses to farmers in the current report on the agricultural situation. This second analysis undertakes to show how in some measure high prices for the products of agriculture and the products of mines and the products of factories have fluctuated so widely and unevenly in the depression years. Because this report deals with some questions that trouble everyone of us, let's read it word for word. Here it is:

"As a rule the prices of raw materials, agricultural and nonagricultural, have fallen much farther in the depression than have the prices of manufactured products. The extremes are illustrated in the case of rubber, the wholesale price for which in March, 1932, was only 14 per cent of the price in March, 1929, contrasted with the increase in the price of cigarettes to 114 per cent of the March, 1929, price.

"As a rule prices of raw materials for manufacture have fallen farther than the prices for foodstuffs which require but little processing in preparation for consumption. This is illustrated by the fact that the greatest price declines in agricultural raw materials have been in cotton and wool. Increased production has been a factor in depressing the prices of these products, but another factor of great importance has been the depression in industry which has curtailed the demand for these products.

"While the manufacturer curtails his production and is indifferent about buying, no one wishes to hold stocks of raw materials and consequently the new production is taken only at greatly reduced prices. Even the ultimate consumer is deferring purchases, patching, repatching, and replacing with cheaper goods when possible. Consequently until the bottom of a depression is reached, all the forces of conservatism and uncertainty are reflected back upon the producer and prices to the producer are driven downward more rapidly and farther than prices in general.

"The prices of foodstuffs have also fallen rapidly and far, even though somewhat less than the prices of the raw materials for manufacture. Both the production and consumption of foodstuffs continue. As pay rolls shrink, consumers may shift from one product to another, substituting cheaper for dearer products, but perishable products must be consumed. Hence prices are reduced so consumers can buy what is produced.

"The production of the mines can be controlled. It may be difficult, however, to adjust production in advance of curtailing consumption. This is particularly true for commodities produced in many parts of the world with keen international competition. The price of copper, for example, has fallen farther than the price of most agricultural products. There has been keen competition in the production of copper in face of a very rapid curtailment in the demand for copper. Similarly prices of lead and zinc have been forced to very low levels.

"Factory production is adjusted to demand more easily than farm or mine production. The past few years the prices of some factory products have declined partly as a result of the development of new processes in manufacture, lowering costs and more intensive competition. But prices of many factory products are still about as high as they were several years ago."

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CLOSING ANNOUNCEMENT: Well, that's all we'll have time for of the Government economists' report on the agricultural situation as we enter the last half of 1932. We'll send you another summary report early in August showing the changes in crop conditions and in farm business situation during the month of July.

